PHONES INTERNATIONAL GROUP HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 APRIL 2008

Company no: 04419913

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

COMPANY INFORMATION

FOR THE YEAR ENDED 30 APRIL 2008

Company Number:	04419913
Registered Office:	Network House Third Avenue Globe Park Marlow Buckinghamshire SL7 1EY
Directors:	P Jones S Vincent G McPherson
Secretary:	S Vincent
Bankers:	Barclays Bank Plc Thames Valley Corporate Banking Centre P O Box 2481 Reading Berkshire RG1 1AX
Solicitors:	Osborne Clarke OWA 2 Temple Back East Temple Quay Bristol Avon BS1 6EG
Auditor:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Churchill House Chalvey Road East Slough Berkshire SL1 2LS

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS

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FOR THE YEAR ENDED 30 APRIL 2008

The directors present their report together with the financial statements for the year ended 30 April 2008.

Principal activities

The company is a holding company and does not trade with third parties.

The group's principal activities are the provision of wireless solutions, web site design and hosting and fulfilment services.

Business review

We are pleased to report an excellent set of results, a year in which both of the main operating companies, Data Select Limited and Wireless Logic Limited, were able to report growth in turnover and operating profit. Group operating profit for the year was £6.2m (2007: £5.2m).

Data Select has continued to focus on higher margin value added distribution activities and this year has delivered increased operating profit of £7.3m (2007: £6.9m).

Wireless Logic more than doubled its turnover and operating profit in the year and some substantial contract wins near the end of the year means that it now has a contracted customer base that has more than quadrupled since April 2007. The full year contribution of these contracts and other sizable growth opportunities mean that 2008 will be a very exciting year for the Company.

We continue to be excited and optimistic about the group's growth opportunities and future success and would like to thank all of our customers, suppliers, partners and employees and for their continued support throughout the year.

There was a profit for the year after taxation amounting to £4.2m (2007: £4m). Interim dividends totalling £nil (2007: £nil) were paid leaving £4.2m (2007: £4m) retained profit.

In monitoring financial performance, the directors assess the group's performance against both prior year and forecast. The forecasts are prepared annually and are reviewed regularly for continuing appropriateness given strategic developments in the business. Key financial performance measures include gross margin by service, trading volumes with key trading partners, overheads and working capital/cash performance in all key areas of the business.

Financial risk management objectives and policies

The group uses various financial instruments including loans, cash, equity investments, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below.

The main risks arising from the group's financial instruments are market risk, liquidity risk, interest rate risk, cash flow and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk
Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

The group has access to undrawn committed borrowing facilities of £12m (2007: £8.9m).

Interest rate risk
The group finances its operations through a mixture of retained profits and bank borrowings. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Credit risk
The group's principal financial assets are cash and trade debtors. The principal credit risk arises from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of trading and payment history, market knowledge and third party credit references. Credit limits are reviewed by the credit manager on a regular basis in conjunction with debt ageing and collection history.

There is a group banking arrangement for the companies Oval (2074) Limited, Phones International Group Holdings Limited, Phones International Group Limited and Data Select Limited to provide an inter group cross guarantee. The group has a contingent liability of £nil (2007: £nil) in respect of this arrangement.

Directors

The present membership of the board is set out below. All directors served throughout the year.

P Jones
S Vincent
G McPherson

No director had during the year a material interest in any contract which was significant in relation to the group's business.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

On behalf of the Board

P Jones Director	S Vincent Director
27 June 2008	27 June 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Phones International Group Holdings Limited for the year ended 30 April 2008 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company s members those matters we are required to state to them in an auditor s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the report of the directors and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities within the report of the directors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the report of the directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 April 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

14 October 2008

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous year. The directors have reviewed the principal accounting policies and consider them to be appropriate to the group.

Basis of consolidation

The group financial statements consolidate those of the company and all its subsidiary undertakings to 30 April 2008. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Investments

Investments are included at cost less amounts written off.

Goodwill and intangible fixed assets

For acquisitions of a business, purchased goodwill is capitalised in the year which it arises and amortised over its estimated useful life up to a maximum of 10 years with a pro rated charge for amortisation in the year of acquisition. The directors regard 10 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period. Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets.

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Property improvements	20% - 50%
Office equipment	15% - 33 $^1/_3$%
Motor vehicles	25%

Stock and cost of sales

Stocks are stated at the lower of cost and net realisable value. Network activation bonuses and manufacturer support are reported as reductions in cost of sales and are recognised when products are sold.

Operating lease arrangements

All leases are regarded as operating leases and the payments made under these are charged to the profit and loss account on a straight-line basis over the lease term.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 2008

	Note	2008 £	2008 £	2007 £	2007 £
Turnover	1		119,794,035		111,858,661
Cost of sales			(98,849,623)		(91,623,949)
Gross profit			20,944,412		20,234,712
Distribution costs			(1,082,002)		(1,102,968)
Non recurring administrative expenses	1	(453,828)		(1,385,729)	
Amortisation of goodwill		(645,065)		(645,065)	
Other administrative expenses		(12,582,852)		(11,862,199)	
Total administrative expenses			(13,681,745)		(13,892,993)
Operating profit and profit on ordinary activities before interest			6,180,665		5,238,751
Net interest	2		(712,074)		(522,292)
Profit on ordinary activities before taxation	1		5,468,591		4,716,459
Tax on profit on ordinary activities	4		(1,298,741)		(670,000)
Profit on ordinary activities after taxation			4,169,850		4,046,459
Minority interests	23		1,543		2,817
Profit retained and transferred to reserves	12		4,171,393		4,049,276

All of the activities of the group are classed as continuing.

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET

AT 30 APRIL 2008

	Note	2008	2008	2007	2007
		£	£	£	£
Fixed assets					
Investments	5		960,457		-
Intangible assets	6		3,106,107		3,386,589
Tangible assets	7		497,751		649,324
			4,564,315		4,035,913
Current assets					
Stocks	8	7,739,901		7,434,827	
Debtors	9	26,743,930		30,593,516	
Cash at bank and in hand		4,845,970		3,961,844	
		39,329,801		41,990,187	
Creditors: amounts falling due within one year	10	(24,355,033)		(30,656,867)	
Net current assets			14,974,768		11,333,320
Total assets less current liabilities			19,539,083		15,369,233
Capital and reserves					
Called up share capital	11		15,255		15,255
Share premium	12		4,634,254		4,634,254
Capital redemption reserve	12		5,000		5,000
Profit and loss account	12		14,895,274		10,723,881
Shareholders' funds	13		19,549,783		15,378,390
Minority interests	23		(10,700)		(9,157)
Total capital			19,539,083		15,369,233

The financial statements were approved by the Board of Directors on 27 June 2008

P Jones
Director

S Vincent
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED

COMPANY BALANCE SHEET

AT 30 APRIL 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Investments	5		**7,842,581**		7,842,581
Current assets					
Debtors	9	**2,225,000**		2,220,000	
Cash at bank and in hand		**2,235**		7,244	
		2,227,235		2,227,244	
Creditors: amounts falling due within one year	10	**(4,968,910)**		(4,968,910)	
Net current liabilities			**(2,741,675)**		(2,741,666)
Net assets			**5,100,906**		5,100,915
Capital and reserves					
Called up share capital	11		**15,255**		15,255
Share premium	12		**4,634,254**		4,634,254
Capital redemption reserve	12		**5,000**		5,000
Profit and loss account	12		**446,397**		446,406
Shareholders' funds	13		**5,100,906**		5,100,915

The financial statements were approved by the Board of Directors on 27 June 2008

P Jones
Director

S Vincent
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2008

	Note	2008 £	2007 £
Net cash inflow/(outflow) from operating activities	14	**7,534,783**	(2,888,269)
Returns on investment and servicing of finance			
Interest received		**5,121**	4,988
Interest paid		**(736,576)**	(496,315)
Net cash outflow from returns on investment and servicing of finance		**(731,455)**	(491,327)
Taxation		**(1,380,723)**	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(100,621)**	(206,782)
Sale of tangible fixed assets		**1,200**	1,374
Net cash outflow from capital expenditure and financial investment		**(99,421)**	(205,408)
Acquisitions and disposals			
Investment in subscribers		**(375,000)**	-
Investment in shares		**(960,457)**	-
Net cash outflow from acquisitions and disposals		**(1,335,457)**	-
Cash inflow/(outflow) before use of liquid resource and financing		**3,987,727**	(3,585,004)
Increase/(decrease) in cash	15	**3,987,727**	(3,585,004)

The accompanying accounting policies and notes form an integral part of these financial statements.

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is attributable to one class of business as described in the report of the directors.

The analysis of turnover by geographical market has not been disclosed as the directors consider it to be seriously prejudicial to the interests of the business.

The profit on ordinary activities before taxation is stated after:

	2008 £	2007 £
Auditor s remuneration:		
- Audit services	**40,000**	35,000
- Non-audit services	**9,330**	51,712
Depreciation:		
- Tangible fixed assets, owned	**252,194**	267,549
Profit on sale of tangible fixed asset	**(1,200)**	(542)
Amortisation of goodwill	**655,482**	645,065
Operating lease rentals:		
- Land and buildings	**778,712**	678,713

Administrative expenses include £453,829 (2007: £1,385,729) that relates to bad debts. For the year ended 30 April 2007 the £1,385,729 related to bad debts incurred due to a number of defaulting dealers within the consumer airtime dealer base.

2 NET INTEREST

	2008 £	2007 £
Bank overdraft and other borrowings	**717,195**	527,280
Other interest receivable and similar income	**(5,121)**	(4,988)
	712,074	522,292

PHONES INTERNATIONAL GROUP HOLDINGS LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2008

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2008 £	2007 £
Wages and salaries	**8,250,445**	7,200,056
Social security costs	**795,284**	685,484
	9,045,729	7,885,540

The average number of employees of the group during the year was 178 (2007: 182).

	2008 Number	2007 Number
Sales and purchasing	**64**	57
Administration and other	**114**	125
	178	182

Remuneration in respect of the directors was as follows:

	2008 £	2007 £
Emoluments	**444,900**	752,400

The amount set out above includes remuneration in respect of the highest paid director as follows:

	2008 £	2007 £
Emoluments	**266,500**	329,500

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2008 £	2007 £
UK corporation tax at 29.83% (2007: 30%)	**1,316,395**	670,000
Adjustment to prior year's tax provision	**(17,654)**	-
Tax on profit on ordinary activities	**1,298,741**	670,000

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax of 29.83% (2007: 30%).

The differences are explained as follows:

	2008 £	2007 £
Profit on ordinary activities before tax	**5,468,591**	4,716,459
Profit on ordinary activities multiplied by standard rate of corporation tax of 29.83% (2007: 30%)	**1,631,281**	1,414,938
Effect of:		
Expenses not deductible for tax purposes	**10,125**	3,937
Goodwill arising on consolidation	**191,906**	193,520
Capital allowances in excess of depreciation	**21,248**	17,241
Other differences	**(538,165)**	(959,636)
Adjustment to prior year's tax provision	**(17,654)**	-
Current tax charge	**1,298,741**	670,000

There is an unrecognised deferred tax asset of £55,206 (2007: £80,326) relating to losses carried forward, depreciation in excess of capital allowances and other timing differences.

5 FIXED ASSETS INVESTMENTS

Group	**Other investments £**
At 1 May 2007	-
Additions	960,457
Net book value at 30 April 2008	**960,457**
Net book value at 30 April 2007	-

The additions in the year related to an investment made by the group in Expansys plc amounting to £960,457.

Expansys plc is incorporated in England & Wales amd quoted on AIM market. The company holds 9,888,259 shares giving a 22% share in Expansys plc. This represents a 22% share of the equity of Expansys plc. The market value of the investment at 30 April 2008 was £1,186,591.

A further 1,100,000 shares in Expansys plc on 15 May 2008, thereby increasing the group's investment holding in Expansys plc to 24.51%.

Company

	Shares in group undertakings £
At 1 May 2007 and at 30 April 2008	**7,842,581**

At 30 April 2008 the group held more than 10% of the equity of the following companies:

	Country of incorporation	**Issued ordinary share capital**	**Percentage owned**
Phones International Group Limited	England & Wales	£3,000,000	100%
Wireless Logic Limited*	England & Wales	£5,782	100%
Data Select Limited*	England & Wales	£2	100%
Newmediacom Limited*	England & Wales	£1,000	97%
10 Telecom Limited*	England & Wales	£1	100%
Virtual Phone Shop Limited*	England & Wales	£1	100%

* By virtue of shareholding in Phones International Group Limited.

The above companies are engaged in the provision of wireless solutions and have been included in the consolidation.

6 INTANGIBLE FIXED ASSETS

Group	Goodwill £	Intangibles £	Total £
Cost			
At 1 May 2007	6,636,249	-	6,636,249
Additions	-	375,000	375,000
At 30 April 2008	6,636,249	375,000	7,011,249
Amortisation			
At 1 May 2007	3,249,660	-	3,249,660
Charge for the year	645,065	10,417	655,482
At 30 April 2008	3,894,725	10,417	3,905,142
Net book amount			
At 30 April 2008	**2,741,524**	**364,583**	**3,106,107**
At 30 April 2007	3,386,589	-	3,386,589

In February 2008, £375,000 was paid to acquire a portfolio of customer connections.

7 TANGIBLE FIXED ASSETS

Group	Property improvements £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 May 2007	410,384	987,395	68,569	1,466,348
Additions	27,000	73,621	-	100,621
Disposals	-	-	(28,105)	(28,105)
At 30 April 2008	437,384	1,061,016	40,464	1,538,864
Depreciation				
At 1 May 2007	110,442	638,013	68,569	817,024
Charge for the year	57,945	194,249	-	252,194
Eliminated on disposals	-	-	(28,105)	(28,105)
At 30 April 2008	168,387	832,262	40,464	1,041,113
Net book amount				
At 30 April 2008	**268,997**	**228,754**	-	**497,751**
At 30 April 2007	299,942	349,382	-	649,324

8 STOCKS

	Group 2008 £	Group 2007 £
Goods for resale	7,739,901	7,434,827

9 DEBTORS

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade debtors	15,400,864	15,945,086	-	-
Amounts owed by group undertakings	984,036	2,422,946	2,225,000	2,220,000
Other debtors	9,447,399	11,660,225	-	-
Prepayments and accrued income	911,631	565,259	-	-
	26,743,930	30,593,516	2,225,000	2,220,000

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Bank borrowings	3,039,950	6,143,551	-	-
Trade creditors	13,447,979	18,228,897	-	-
Corporation tax	1,311,068	1,392,945	-	-
Social security and other taxes	235,164	272,256	-	-
Amounts owed to group undertakings	4,166,110	4,166,110	4,968,910	4,968,910
Other creditors	1,592,376	-	-	-
Accruals and deferred income	562,386	453,108	-	-
	24,355,033	30,656,867	4,968,910	4,968,910

11 SHARE CAPITAL

	2008 £	2007 £
Authorised		
231,244 10p ordinary shares	23,124	23,124
Allotted, called up and fully paid		
152,553 10p ordinary shares	15,255	15,255

12 RESERVES

Group

	Share premium £	Capital redemption reserve £	Profit and loss account £
At 1 May 2007	4,634,254	5,000	10,723,881
Retained profit for the year	-	-	4,171,393
At 30 April 2008	**4,634,254**	**5,000**	**14,895,274**

Company

	Share premium £	Capital redemption reserve £	Profit and loss account £
At 1 May 2007	4,634,254	5,000	446,406
Retained loss for the year	-	-	(9)
At 30 April 2008	**4,634,254**	**5,000**	**446,397**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company is not represented as part of these financial statements. The company's loss for the financial year amounted to £9 (2007: £41).

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2008 £	2007 £
Profit for the financial year	**4,171,393**	4,049,276
Net increase in shareholders' funds	**4,171,393**	4,049,276
Shareholders' funds at 1 May 2007	**15,378,390**	11,329,114
Shareholders' funds at 30 April 2008	**19,549,783**	15,378,390

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (CONTINUED)

Company

	2008 £	2007 £
Loss for the financial year	**(9)**	(41)
Net decrease in shareholders' funds	**(9)**	(41)
Shareholders' funds at 1 May 2007	**5,100,915**	5,100,956
Shareholders' funds at 30 April 2008	**5,100,906**	5,100,915

14 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	**6,180,665**	5,238,751
Depreciation and amortisation charges	**907,676**	912,614
Profit on sale of fixed assets	**(1,200)**	(542)
Increase in stocks	**(305,074)**	(1,741,015)
Decrease/(increase) in debtors	**3,849,586**	(2,760,883)
Increase in creditors	**(3,096,870)**	(4,537,194)
Net cash inflow/(outflow) from operating activities	**7,534,783**	(2,888,269)

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	2008 £	2007 £
Increase/(decrease) in cash	**3,987,727**	(3,585,004)
Net (debt)/funds at 1 May 2007	**(2,181,707)**	1,403,297
Net funds/(debt) at 30 April 2008	**1,806,020**	(2,181,707)

16 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 May 2007 £	Cash flows £	At 30 April 2008 £
Cash in hand and at bank	3,961,844	884,126	**4,845,970**
Overdraft	(6,143,551)	3,103,601	**(3,039,950)**
	(2,181,707)	3,987,727	**1,806,020**

17 CAPITAL COMMITMENTS

The company and the group had no capital commitments at 30 April 2008 or 30 April 2007.

18 CONTINGENT LIABILITIES

There is a group banking arrangement for the companies Phones International Group Holdings Limited, Phones International Group Limited, Oval (2074) Limited and Data Select Limited providing an inter-company cross guarantee. The company has a contingent liability of £nil (2007: £nil) in respect of this arrangement.

The company is also party to a cross guarantee in respect of the Barclays Bank Plc loan facility taken out by the ultimate parent undertaking Oval (2074) Limited during the year. There is a cross guarantee between Oval (2074) Limited, Phones International Group Holdings Limited, Phones International Group Limited and Data Select Limited. The company had a contingent liability of £20,000,000 (2007: £16,000,000) in respect of this cross guarantee.

Due to industry wide actions taken by HMRC the group experienced severe delays in repayment of VAT during 2006. Since the introduction of VAT reverse charging the group has been in a payment situation each quarter and has offset amounts due to HMRC up to the amount of the delayed repayments.

HMRC has advised of its intention to deny the right to deduct £3.8m of input tax relating to the year ended 30 April 2006. The group strenuously rejects all issues raised by HMRC and based on professional advice will, if required, dispute these issues using all means at its disposal. Accordingly no amount has been provided in the financial statements in this respect.

There were no other contingent liabilities in the group or the company at 30 April 2008 or 30 April 2007.

19 LEASING COMMITMENTS

Group

Operating lease payments amounting to £498,712 (2007: £498,712) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings 2008 £	Land and buildings 2007 £
In five years or more	498,712	498,712

20 ACQUISITIONS

The group acquired the following subsidiary during the year:

Virtual Phone Shop Limited

No adjustments were required to the book values of the assets and liabilities acquired in order to present them at fair value in accordance with the group accounting principles.

The group purchased a 100% holding in Virtual Phone Shop Limited on 29 February 2008 for a consideration of £1. There is no deferred consideration related to the acquisition.

From the date of acquisition to 30 April 2008 the subsidiary generated turnover of £nil and contributed a profit of £331 to the group results.

	£
Creditors	(3,317)
Cash	3,318
Net assets of subsidiary at acquisition	1
Share of net assets acquired	1
Goodwill	-
Total consideration	1

21 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors consider the ultimate parent undertaking of this company is Oval (2074) Limited, which is registered in England and Wales.

The largest group of undertakings for which group financial statements have been drawn up is that headed by Oval (2074)Limited.

The ultimate controlling related party of the company is P Jones as a result of being the sole shareholder in the parent company, Oval (2074) Limited.

22 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Oval (2074) Limited, the company is exempt from the requirements of Financial Reporting Standard No 8 'Related Party Disclosures' to disclose transactions with other members of the group.

The group rents property from P Jones, a director of the company and sole shareholder of the ultimate parent undertaking Oval (2074) Limited. Rent charged is considered to be a market rent and amounted to £498,712 (2007: £498,712). At the balance sheet date there was an outstanding amount owed to P Jones of £nil (2007: £nil).

23 MINORITY INTEREST

Group

	Minority interest **£**
At 1 May 2007	9,157
Profit for the year	1,543
At 30 April 2008	**10,700**